

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3287-01
Bill No.: HB 1223
Subject: Highway Patrol; Retirement–State; Retirement Systems & Benefits–General
Type: Original
Date: February 12, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Various State Funds – MOSERS	\$0	(\$190,165)	(\$190,165)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$190,165)	(\$190,165)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
UC Admin Fund	(\$26,421)	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$26,421)	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Departments of Agriculture, Elementary & Secondary Education, Revenue, Health, Social Services, Insurance, and Public Safety (Including the Missouri Highway Patrol)** assume the proposal would have minimal or no fiscal impact on their agencies.

Officials with the **Department of Corrections (DOC) and Department of Natural Resources (DNR)** noted in very similar legislation that the proposal would have no fiscal impact on their agencies. Therefore, **Oversight** assumes that this proposal would pose no fiscal impact to DOC and DNR.

The **Joint Committee on Public Employee Retirement** indicates that this legislation does not represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5), and, as such, an actuarial cost statement is not required.

The **Office of Administration (OA)** notes that the Missouri State Employees Retirement System will determine any possible cost through an actuarial report in the rate it certifies to OA.

Officials with the **State Highway Employees and Patrol Retirement System (HRS)** assume an additional 8 employees covered under their system would be eligible for retirement before age 50 as a result of the legislation (5 MoDOT and 3 non-uniformed patrol). HRS determines that any fiscal impact as a result of the proposal would be negligible.

The **Missouri State Employees Retirement System (MOSERS)** assumes the proposal will lower the minimum age for retirement under the “Rule of 80” from age 50 to age 48. MOSERS obtained an actuarial valuation for this proposal. According to the valuation, an annual increase in contributions of \$190,165 will be required to fund the benefit in the first year after the benefit change. The contribution rate (as a percentage of payroll) will increase by 0.01%.

Officials from the **Missouri Consolidated Health Care Plan** assume the proposal would have no fiscal impact on their plan.

Officials with the **Department of Conservation (MDC)**, assume the proposal appears to have a fiscal impact on MDC funds that would not exceed \$100,000 annually. However, on similar legislation during the 2001 Legislative Session, the MDC assumed the proposal had no fiscal impact on their agency. **Oversight** assumes that the MDC possesses sufficient funding from its budget to absorb these costs.

ASSUMPTION (continued)

Officials with the **Department of Transportation (MoDOT)** assume the proposal would affect 5 MoDOT employees. By allowing these individuals to retire earlier than originally expected, the retirement system will have an increased cash payout. The amount is unknown, but may not be enough to trigger a contribution rate increase. MoDOT therefore assumes no fiscal impact.

Officials with the **Department of Mental Health (DMH)** assume the redistribution of job tasks would flow naturally to those next closest to the projects/tasks affected by the retirement related departures. Replacement of FTE would not necessarily occur in every instance. Some internal promotions and a natural handing down of duties would result. However, DMH officials note that the proposal would have no fiscal impact on their agency.

The **Department of Economic Development (DED)** issued a statement indicating that the proposal results in the same fiscal impact as that stated in response to fiscal note 0879-01N from the 2001 session. In fiscal note 0879-01N, DED states it cannot determine the possible fiscal impact due to this legislation, as it is uncertain how many of its employees would qualify for retirement before age 50. **Oversight** assumes any fiscal impact on the Department would be minimal.

The **Department of Labor and Industrial Relations (DOLIR)** notes that it has six employees that would be eligible to retire at age 49 with 31 years of service. DOLIR assumes that the proposal could cost the department \$26,421 in pay and fringe benefits if these employees retired and used their remaining annual leave.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Costs—MOSERS			
Increased Contributions	\$0	(\$190,165)	(\$190,165)
UC ADMIN FUND			
Costs – DOLIR			
Early Retirement Benefits	<u>(\$26,421)</u>	<u>\$0</u>	<u>\$0</u>
	<u>(\$26,421)</u>	<u>(\$190,165)</u>	<u>(\$190,165)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

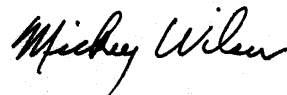
DESCRIPTION

This bill lowers the normal retirement eligibility age from 50 to 48 under the "rule of 80" for the Missouri Employees' Retirement System, both the existing plan and the Year 2000 Plan.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Office of Administration
Missouri State Employees Retirement System
State Highway Employees and Patrol Retirement System
Missouri Consolidated Health Care Plan
Department of Agriculture
Department of Elementary & Secondary Education
Department of Revenue
Department of Health and Senior Services
Department of Social Services
Department of Conservation
Department of Insurance
Department of Mental Health
Department of Transportation
Department of Public Safety
Department of Economic Development
Department of Labor and Industrial Relations
Department of Corrections
Department of Natural Resources



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